



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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**23 VAC 10-240 – Motor Vehicle Fuel Sales Tax Regulations**  
**Department of Taxation**  
April 10, 2007

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### **Summary of the Proposed Regulation**

The Department of Taxation proposes to repeal certain sections of the Motor Vehicle Fuel Sales Tax Regulations.

### **Result of Analysis**

The benefits likely exceed the costs for these proposed regulatory changes.

### **Estimated Economic Impact**

Currently, Sections 20, 30, 60, 130, 140, 150, 200, 210, 240, 270, 280, 330, 400, 430 and 450 of Administrative Code Chapter 240 specifically list which groups are, and which groups are not, exempt from having to pay motor vehicle fuel taxes. Section 100 defines the rules that dealers must follow when accepting certificates of exemption from customers. These rules explicitly state that certificates that are obviously “incomplete, invalid, infirm or inconsistent” will not be acceptable and require dealers to take care to prevent the giving or receiving of fraudulent or invalid certificates. Section 300 lists penalties and interest that will apply to dealers who fail to file returns in a timely manner.

The Department of Taxation proposes to repeal all of these sections of 23 VAC 10-240. If all these sections are repealed, this Chapter of the Administrative Code will be shorter and somewhat easier to search. The costs associated with this action will likely vary. Sections 20, 30, 60, 130, 140, 150, 200, 210, 240, 270, 280, 330, 400, 430 and 450 provide guidance to taxpayers and gather into one place the rules that define which groups are exempt from fuel taxes. These sections do not, however, give rights to taxpayers that are not also in the Code of Virginia. Repealing these sections will impose a small cost on taxpayers in that more of their time will have to be spent searching out and understanding the rules in the Code of Virginia than is spent

now to find and understand the same rules in this Administrative Code Chapter. This cost will likely be entirely eliminated if the Department of Taxation issues guidance documents for motor vehicle fuel sales taxes.

The penalties and interest that must be paid by dealers who fail to file returns in a timely manner have increased in the Code of Virginia. As a consequence, there is no cost attached to repealing section 300 of this regulation. Taxpayers will, indeed, benefit from the removal of contradictory information from the public domain.

### **Businesses and Entities Affected**

These proposed regulatory changes will likely affect all businesses and individuals who pay or collect fuel taxes and will particularly affect businesses and individuals who use or accept certificates of exemption. There are 859 active motor fuel businesses in the Commonwealth and the Department of Taxation estimates that in excess of 1,000 individuals and businesses handle certificates of exemption.

### **Localities Particularly Affected**

These proposed regulatory changes will affect all localities in the Commonwealth.

### **Projected Impact on Employment**

These proposed regulatory changes will likely have no measurable effect on employment in the Commonwealth.

### **Effects on the Use and Value of Private Property**

To the extent that this regulatory action may make motor vehicle tax information slightly harder to find, affected businesses may incur slight extra costs to ensure they remain in compliance with tax laws. If these costs are incurred, and can not be fully passed on to affected businesses' customers, these businesses' may see their profits decrease (probably by only a miniscule amount).

### **Small Businesses: Costs and Other Effects**

To the extent that this regulatory action may make motor vehicle tax information slightly harder to find, affected businesses may incur slight extra costs to ensure they remain in

compliance with tax laws. There are 859 active motor fuel businesses in the Commonwealth. Most or all of these are likely small businesses.

### **Small Businesses: Alternative Method that Minimizes Adverse Impact**

There are likely no alternate methods that will both accomplish the Department of Taxation's goal of shortening regulations and further minimize costs for affected small businesses.

### **Legal Mandate**

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.